

Internal Revenue Service

Department of the Treasury
Washington, DC 20224

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Person To Contact:
, ID No.

Telephone Number:

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CC:PA
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Legend

A =

Dear :

This is in response to your letter dated March 24, 2014, and subsequent correspondence, submitted by your authorized representative. The ruling requested is that A does not have a reporting requirement under section 6045 of the Internal Revenue Code with respect to transactions in which it is acting in its capacity as the clearinghouse between two barter trade exchanges on behalf of their respective members.

FACTS

A provides a marketplace in which barter exchange members can trade with members of other barter exchanges. This marketplace allows a member of one barter exchange who wishes to purchase a service or good that is not available in the respective member's barter exchange to purchase a service or good from a member of another barter exchange. Conversely, by belonging to A, a selling member expands its potential customer base to members in other barter exchanges. Each separate barter exchange uses its own trade credit currency within the exchange. A charges fees to each member barter exchange, and established its own trade credit currency, which allows barter exchanges to effect sales through A using a single trade credit currency.

To trade on A each barter exchange must establish its own separate account, and is provided instruction by A as to how to use A's trading software. To effectuate a transaction through A, a barter exchange member will receive an email notification from A indicating that another barter exchange member wishes

to purchase from the selling barter exchange member. The seller, who is a member of the barter exchange member, must accept the purchase offer for the transaction to be effectuated. The ultimate purchaser and seller are not members of A, but are members of their respective barter exchanges.

Pursuant to the rules of A, each member barter exchange assumes ultimate responsibility for all federal tax reporting obligations of the barter transactions occurring through A. The barter exchanges file and furnish Forms 1099-B to report the proceeds from sales received by their respective members.

LAW & ANALYSIS

Section 6045(a) provides:

Every person doing business as a broker shall, when required by the Secretary, make a return, in accordance with such regulations as the Secretary may prescribe, showing the name and address of each customer, with such details regarding gross proceeds and such other information as the Secretary may by forms or regulations require with respect to such business.

Section 6045(c)(1)(A) defines a “broker” as “(A) a dealer, (B), a barter exchange, and (C) any other person who (for consideration) regularly acts as a middleman with respect to property or services.”

Section 6045(c)(3) defines a “barter exchange” as “any organization of members providing property or services who jointly contract to trade or barter such property or services.”

Regulation section 1.6045-1(a)(1) provides in relevant part:

The term *broker* means any person (other than a person who is required to report a transaction under section 6043), U.S. or foreign, that, in the ordinary course of a trade or business during the calendar year, stands ready to effect sales to be made by others.

Regulation section 1.6045-1(a)(4) provides:

The term barter exchange means any person with members or clients that contract either with each other or with such person to trade or barter property or services either directly or through such person. The term does not include arrangements that provide solely

for the informal exchange of similar services on a noncommercial basis.

Regulation section 1.6045-1(b) provides that “[t]he following examples illustrate the definitions in paragraph (a)”:

Example 1. The following persons generally are brokers within the meaning of paragraph (a)(1):

(i) A mutual fund, an underwriter of the mutual fund, or an agent for the mutual fund, any of which stands ready to redeem or repurchase shares in such mutual fund.

(ii) A professional custodian (such as a bank) that regularly arranges sales for custodial accounts pursuant to instructions from the owner of the property.

(iii) A depositary trust or other person who regularly acts as an escrow agent in corporate acquisitions, if the nature of the activities of the agent is such that the agent ordinarily would know the gross proceeds from sales.

(iv) A stock transfer agent for a corporation, which agent records transfers of stock in such corporation, if the nature of the activities of the agent is such that the agent ordinarily would know the gross proceeds from sales.

(v) A dividend reinvestment agent for a corporation that stands ready to purchase or redeem shares.

Example 2. The following persons are not brokers within the meaning of paragraph (1)(a) in the absence of additional facts that indicate the person is a broker:

(ii) A person (such as a stock exchange) that merely provides facilities in which others effect sales.

(vii) A clearing organization.

CONCLUSION

Based on the facts and information submitted and the representations made, the following ruling is issued respecting A:

A does not have a reporting requirement under section 6045 of the Internal Revenue Code with regard to transactions in which it acts in its capacity as the clearinghouse between two barter exchanges to effect sales on behalf of their respective members.

Except as expressly provided herein, no opinion is expressed or implied concerning the tax consequences of any aspect of any transaction or item discussed or referenced in this letter.

This ruling is directed only to the taxpayer requesting it. Section 6110(k)(3) of the Code provides that it may not be used or cited as precedent.

In accordance with the Power of Attorney on file with this office, a copy of this letter is being sent to your authorized representative.

The ruling contained in this letter is based upon information and representations submitted by the taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. While this office has not verified any of the material submitted in support of the request for rulings, it is subject to verification on examination.

Sincerely,

Ashton Trice
Chief, Branch 2
(Procedure & Administration)

cc: